

APPENDIX F:

DEVELOPER FEE SCHEDULE

OFFICE OF HOUSING DEVELOPER FEE POLICY

EFFECTIVE Date: August 25, 1998

INTRODUCTION

OFFICE OF HOUSING originally established a policy on developer fees in 1988; it was revised in 1993, again in 1994, and most recently on March 13, 1998. When we issued the policy in March, it was intended to be an interim policy to be applied to projects funded in 1998. The Seattle-King County Housing Development Consortium (SHDC) recently submitted a recommendation for a further revision to the Developer Fee policy. The attached policy will replace March's interim policy; it will continue to be an interim policy until the newly proposed Mayor's Office for Housing and Project Development takes final action on a developer fee policy.

Accordingly, the attached OFFICE OF HOUSING Developer Fee Policy applies to all multifamily rental housing projects approved for funding by OFFICE OF HOUSING after August 25, 1998; it will also apply retroactively to projects that have been submitted, reviewed, or approved in selection processes prior to that date, as long as additional City funding is not required and project quality is not compromised.

A. PRINCIPLES

1. The developer fee rate for nonprofit developers should be reasonable for the multi-year work undertaken and should be more in line with the "going rate" for the residential development sector as a whole.
2. The use of the fee should not be controlled or prescribed by the City.
3. The fee framework relates to the net fee (the amount of cash the developer can keep). It does not restrict additional developer fees where the surplus goes into the project or is loaned back to the project.
4. The fee framework covers the activities described on the attached chart labeled "Activities Compensated by Fee."
5. The fee framework will apply to all project applicants using City development funding.
6. The City will develop an organization-by-organization schedule to reduce City administrative support with the intent that higher developer fees will eventually supplant the need for this support.
7. The developer will establish the actual fee within the fee framework based on the financial feasibility and affordability of an individual project.

B. CALCULATION OF FEE

The table below establishes the maximum possible cash developer fee rates based on total develop cost (TDC) for rental projects. TDC includes acquisition, construction and project development costs, and excludes reserves and developer fee.

<u>Portion of Total Development Cost</u>	<u>Maximum Fee</u>
Amount under \$1 million	12.0%
Amount between \$1 million and \$6 million	7.5%
Amount between \$6 million and \$12 million	5.0%
Amount over \$12 million	2.5%

C. TIME OF ESTABLISHMENT OF FEE

The developer will determine and propose an actual cash fee according to the chart in section B, based on the financial feasibility and affordability targets of an individual project. This will be agreed to and finalized by the City at the time of loan commitment.

D. FEE PAYOUT SCHEDULE

The fee will be paid as follows:

- o 40% at OFFICE OF HOUSING loan closing;
- o 10% after completion of design development drawings;
- o 25% at start of construction;
- o 20% during construction administration (paid proportionately to percent of construction complete);
- o 5% at project close-out.

E. ACTIVITIES COVERED BY DEVELOPER FEE

The activities on Attachment A (“Activities Compensated by Fee”) are intended to be compensated by the developer fee, whether or not the project applicant uses its in-house staff to perform them. No additional fee will be paid to cover the cost of hiring outside consultants or experts to perform the activities, except for certain relocation activities. For projects that include relocation, the developer will have overall responsibility as indicated on the chart. Costs for a consultant with appropriate experience to conduct tenant interviews and assist with relocation activities together with actual moving expenses should be budgeted separately. Finally, no reimbursables are allowed; the Developer Fee is intended to cover all expenses related to activities on Attachment A.

Developer Fee Policy

Activities compensated by fee

Preconstruction

1. **Initial feasibility:** Determine potential funding sources, prepare preliminary development budget, prepare preliminary operating budget site search: Identify and evaluate properties (title, occupancy, insurance, zoning, etc.), confirm compliance with CHAS policies, follow City siting procedures, determine possible ownership structures.
2. **Predevelopment financing:** Identify sources and prepare applications, negotiate loan terms and conditions, revise project budgets as necessary, predevelopment loan closing, establish procedure for and execute disbursements, submit reports as required.
3. **Site control:** Complete title research, neighborhood notification per DHHS policy, prepare purchase and sale agreement for legal review; modify as necessary, negotiate terms with seller, sign site control documents.
4. **Development team:** Select and negotiate contracts with: architect/engineer, legal counsel, developer, hazmat inspectors, soils analyst, management agent, other development team members, coordinate team meetings, coordinate and track team activities, prepare necessary reports and information.
5. **Final feasibility:** Review and revise design development, review and revise design development, review and revise project budgets, finalize selection of all funding sources, determine allocation of costs among funding sources, finalize ownership structure of project, complete due diligence, including: extent and cost of hazmat abatement; DCLU issues: title, zoning, and legal issues, development management plan, including: management and marketing staff plan, resident composition and housing needs, schedule of activities through rent-up.
6. **Relocation activities:** determine relevant relocation policies, determine extent of relocation and/or displacement, prepare relocation plan, budget, and schedule.
7. **Completion of financing:** Review financing package with City, finalize and submit all funding proposals, obtain funding commitments, review and evaluate loan documents, negotiate loan terms, prepare disbursement schedule and procedures, sign documents at loan closing(s).
8. **Property acquisition:** Complete negotiations with seller, satisfy contingencies in purchase and sale agreement, arrange for closing extensions if necessary, assemble and review necessary materials and documentation, select escrow agent and review escrow agreements, close on property, implement marketing plan.
9. **Occupancy:** implement tenant screening and selection process, monitor rent-up process, establish any necessary bank accounts.

10. **Close-out:** Submit final draw request, cost certification and certify relocation activity.

Construction

1. **Working drawings and specifications:** Review design issues with architect, determine alternatives, arrange budget modifications with funding sources.
2. **Permits and approvals:** Complete applications for all permits, attend pre-design conference at DCLU, negotiate code issues with DCLU, obtain approvals from design commission, obtain approvals from Fire department, coordinate MUP process.
3. **Contractor selection:** Pre-qualify bidders, develop and implement selection process, arrange inspections of property, negotiate and sign contract.
4. **Construction start-up:** Review process for: construction progress, wage reporting/labor standards/WMBE; subcontractor utilization, review change order process, complete pre-construction conferences.
5. **Hazmat abatement:** Select consultants for asbestos, lead paint, etc., coordinate preparation of specifications and bid documents; conduct bidding process for contractors, prepare and sign abatement contracts, monitor abatement process through completion.
6. **Construction:** Attend weekly construction meetings, monitor construction progress, including regular site visits; review change orders and monitor funding, review draw requests and submit to lenders, monitor draw payments to contractor, coordinate relocation activities; oversee project close-out, including: final inspections, reports and documents, punchlist review, obtain certificate of occupancy, sign final loan closings and review repayment schedule and procedures.
7. **Occupancy:** Follow up on warranty or call-back items.
8. **Close-out:** Complete WMBE, wage requirements and contractor retainage issues.